



Maphumulo Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2013

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## General Information

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<b>Legal form of entity</b>	Local Municipality
<b>Mayoral committee</b>	
Executive Mayor	Cllr. H.N. Ngcobo (ANC - 01/07/2012 to 30/06/2013)
Councillors	Cllr. H.N. Ngcobo (ANC - Exco Member) Cllr. V.E. Mbatha (ANC-Speaker) Cllr. M.P. Mbonambi (ANC-Deputy Mayor) Cllr. N.P. Nxumalo (IFP-Exco Member) Cllr. M.L. Ngidi (IFP-Exco Member) Cllr. E.V. Mhlongo (IFP-Councillor) Cllr. N.S. Ndlovu (NFP-Councillor) Cllr. A.T. Xulu (NFP-Councillor) Cllr. D.J. Zubane (IFP-Councillor) Cllr. K.P. Ninela (IFP-Councillor) Cllr. V. Nzama (ANC-Councillor) Cllr. S. Nyathikazi (IFP-Councillor) Cllr. M. Gasela (ANC-Councillor) Cllr. B. Luthuli (ANC-Councillor) Cllr. B.J. Mtshali (ANC-Councillor) Cllr. T.S. Sosibo (IFP-Councillor) Cllr. Chili (ANC-Councillor) Cllr. S. Shange (ANC-Councillor) Cllr. N. Kunene (ANC-Councillor) Cllr. J.L. Mpungose (IFP-Councillor) Cllr. L. Zondi (ANC-Councillor) Cllr. P. Ngcamu (ANC-Councillor)
<b>Grading of local authority</b>	2
<b>Accounting Officer</b>	Mr. B.Ngubane (01/07/2012 - 30/09/2012) Mr. V.W. Mhlongo (01/10/2012 - 30/06/2013)
<b>Chief Financial Officer (CFO)</b>	Mr. B. Ngubane
<b>Registered office</b>	MR 711, LOT 152 Maphumulo 4470
<b>Postal address</b>	Private Bag X9205 Maphumulo 4470
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Auditor General South Africa
<b>Telephone number</b>	032 481 4500
<b>Fax Number</b>	032 481 2053
<b>Website</b>	<a href="http://www.maphumulo.gov.za">www.maphumulo.gov.za</a>

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Index

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The reports and statements set out below comprise the annual financial statements presented to the Council:

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### Appendixes:

#### Appendix E(1): Actual versus Budget (Revenue and Expenditure)

INEP	Integrated Electrification Programme
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## **Maphumulo Local Municipality**

Annual Financial Statements for the year ended 30 June 2013

### **Accounting Officer's Responsibilities and Approval**

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I the accounting officer am responsible for the preparation of these annual financial statements, which are set out on pages, 4 to 37 of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in the notes of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's read with the Remuneration of Public Officer Bearer's Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages, 4 to 37 have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed by him :

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**Accounting Officer**  
**B.R. Ngubane**

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
<b>Assets</b>			
<b>Current Assets</b>			
Trade and other receivables from exchange transactions	2	1 614 029	1 402 984
VAT receivable	3	40 342	2 335 899
Receivables from non-exchange transactions	4	2 183 331	1 221 586
Cash and cash equivalents	5	48 480 419	39 780 570
		<b>52 318 121</b>	<b>44 741 039</b>
<b>Non-Current Assets</b>			
Investment property	6	16 114 609	16 114 609
Property, plant and equipment	7	105 591 655	90 346 974
Intangible assets	8	635 027	515 602
Long term receivables	9	60 862	60 862
		<b>122 402 153</b>	<b>107 038 047</b>
<b>Total Assets</b>		<b>174 720 274</b>	<b>151 779 086</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	10	1 398 490	831 697
Lease obligation	11	589 722	720 522
Operating lease liability	12	50 652	39 484
Trade and other payables	13	13 605 109	11 943 620
Unspent conditional grants and receipts	14	20 198 470	22 623 216
		<b>35 842 443</b>	<b>36 158 539</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	10	5 989 905	6 982 672
Lease obligation	11	877 632	1 704 964
		<b>6 867 537</b>	<b>8 687 636</b>
<b>Total Liabilities</b>		<b>42 709 980</b>	<b>44 846 175</b>
<b>Net Assets</b>		<b>132 010 294</b>	<b>106 932 911</b>
Accumulated surplus		132 010 294	106 932 911

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
<b>Revenue</b>			
Rental of facilities and equipment	15	842 054	768 603
Recoveries		2 170	3 836
Other income	16	199 841	249 683
Interest received - investment		2 881 986	1 580 891
Property rates	15	12 258 469	9 172 261
Government grants & subsidies	17	80 613 454	66 022 976
<b>Total revenue</b>		<b>96 797 974</b>	<b>77 798 250</b>
<b>Expenditure</b>			
Employee related costs	18	15 101 453	14 536 492
Remuneration of councillors	19	4 768 212	4 808 880
Depreciation and amortisation	20	6 256 886	5 698 273
Impairment loss/ Reversal of impairments		1 606 679	213 662
Finance costs	21	1 160 823	1 327 142
Auditor's Remuneration	22	1 266 970	1 009 576
Repairs and maintenance		5 077 250	872 755
Grants and subsidies paid	23	3 244 634	4 845 784
General Expenses	24	33 237 680	16 453 535
<b>Total expenditure</b>		<b>71 720 587</b>	<b>49 766 099</b>
<b>Operating surplus</b>		<b>25 077 387</b>	<b>28 032 151</b>
<b>Surplus for the year</b>		<b>25 077 387</b>	<b>28 032 151</b>

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2011</b>	<b>76 672 017</b>	<b>76 672 017</b>
Changes in net assets		
Surplus for the year	28 032 151	28 032 151
Total changes	28 032 151	28 032 151
Opening balance as previously reported	109 161 650	109 161 650
Adjustments		
Prior year adjustments	(2 228 743)	(2 228 743)
<b>Balance at 01 July 2012 as restated</b>	<b>106 932 907</b>	<b>106 932 907</b>
Changes in net assets		
Surplus for the year	25 077 387	25 077 387
Total changes	25 077 387	25 077 387
<b>Balance at 30 June 2013</b>	<b>132 010 294</b>	<b>132 010 294</b>

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash Receipts From Ratepayers, Government and Others		94 167 756	96 781 353
Interest income		2 881 986	1 580 891
		<u>97 049 742</u>	<u>98 362 244</u>
<b>Payments</b>			
Cash Paid to Suppliers and Employees		(51 723 908)	(43 848 496)
Finance costs		(1 160 823)	(1 327 008)
		<u>(52 884 731)</u>	<u>(45 175 504)</u>
<b>Net cash flows from operating activities</b>	25	<b>44 165 011</b>	<b>53 186 740</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(34 081 056)	(20 326 428)
Purchase of other intangible assets	8	-	(20 406)
Proceeds from sale of long term receivables		-	11 000
<b>Net cash flows from investing activities</b>		<b>(34 081 056)</b>	<b>(20 335 834)</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(425 974)	(1 174 029)
Finance lease (payments) receipts		(958 132)	(469 014)
Other cash item		-	31 052
<b>Net cash flows from financing activities</b>		<b>(1 384 106)</b>	<b>(1 611 991)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>8 699 849</b>	<b>31 238 914</b>
Cash and cash equivalents at the beginning of the year		39 780 570	8 541 656
<b>Cash and cash equivalents at the end of the year</b>	5	<b>48 480 419</b>	<b>39 780 570</b>



# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Rental of facilities and equipment	605 000	1 351 460	<b>1 956 460</b>	842 054	<b>(1 114 406)</b>
Recoveries	-	-	-	2 170	<b>2 170</b>
Other income - (rollup)	419 105	1 218 619	<b>1 637 724</b>	199 841	<b>(1 437 883)</b>
Interest received - investment	33 066	513 096	<b>546 162</b>	2 881 986	<b>2 335 824</b>
<b>Total revenue from exchange transactions</b>	<b>1 057 171</b>	<b>3 083 175</b>	<b>4 140 346</b>	<b>3 926 051</b>	<b>(214 295)</b>

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	(11 997 400)	-	<b>(11 997 400)</b>	12 258 469	<b>24 255 869</b>
Government grants & subsidies	(48 830 000)	-	<b>(48 830 000)</b>	80 613 454	<b>129 443 454</b>
<b>Total revenue from non-exchange transactions</b>	<b>(60 827 400)</b>	-	<b>(60 827 400)</b>	<b>92 871 923</b>	<b>153 699 323</b>

<b>Total revenue</b>	<b>(59 770 229)</b>	<b>3 083 175</b>	<b>(56 687 054)</b>	<b>96 797 974</b>	<b>153 485 028</b>
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#### Expenditure

Personnel	(16 291 981)	-	<b>(16 291 981)</b>	(15 101 453)	<b>1 190 528</b>
Remuneration of councillors	(5 212 229)	-	<b>(5 212 229)</b>	(4 768 212)	<b>444 017</b>
Depreciation and amortisation	-	-	-	(6 256 886)	<b>(6 256 886)</b>
Impairment loss/ Reversal of impairments	-	-	-	(1 606 679)	<b>(1 606 679)</b>
Finance costs	(21 103)	-	<b>(21 103)</b>	(1 160 823)	<b>(1 139 720)</b>
Debt impairment	(1 200 000)	-	<b>(1 200 000)</b>	(1 266 970)	<b>(66 970)</b>
Repairs and maintenance	(4 435 900)	(4 516 595)	<b>(8 952 495)</b>	(5 077 250)	<b>3 875 245</b>
Grants and subsidies paid	(1 900 000)	20 000	<b>(1 880 000)</b>	(3 244 634)	<b>(1 364 634)</b>
General Expenses	(15 563 744)	(6 605 643)	<b>(22 169 387)</b>	(33 237 680)	<b>(11 068 293)</b>

<b>Total expenditure</b>	<b>(44 624 957)</b>	<b>(11 102 238)</b>	<b>(55 727 195)</b>	<b>(71 720 587)</b>	<b>(15 993 392)</b>
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<b>Surplus before taxation</b>	<b>(106 509 528)</b>	<b>(12 071 071)</b>	<b>(118 580 599)</b>	<b>25 077 387</b>	<b>143 657 986</b>
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<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(106 509 528)</b>	<b>(12 071 071)</b>	<b>(118 580 599)</b>	<b>25 077 387</b>	<b>143 657 986</b>
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# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements have been prepared on an accrual basis and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

A summary of the significant accounting policies, which have been consistently applied, are disclosed below:

GRAP - 1 Presentation of Financial Statements

GRAP - 2 Cashflow Statements

GRAP - 3 Accounting Policies, Changes in Accounting Estimates and Errors

GRAP - 9 Revenue from Exchange Transactions

GRAP - 13 Leases

GRAP - 17 Property Plant and Equipment

GRAP - 19 Provisions, Contingent Liabilities and Contingent Assets

GRAP - 26 Impairment of Cash Generating Assets

GRAP - 31 Intangible Assets

GRAP - 14 Events after the reporting date.

The following GRAP standards have been issued but are not yet effective

At the date of authorisation of these Annual Financial Statements, the following standards and interpretations were in issue but not yet effective and have not been early adopted by the municipality:.

GRAP 18 - Segment Reporting

GRAP 105 - Transfer of functions between entities under common control

GRAP 106 - Transfer of functions between entities not under common control

GRAP 107 - Mergers

GRAP 20 - Related party disclosures

#### 1.1 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

# **Maphumulo Local Municipality**

Annual Financial Statements for the year ended 30 June 2013

## **Accounting Policies**

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### **1.1 Property, plant and equipment (continued)**

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Depreciation is provided on a straight-line basis which, it is estimated, will reduce the carrying amounts of the assets to their residual values at the end of their expected useful lives. The current estimated useful lives of various assets are as follows:

<b>Item</b>	<b>Average useful life</b>
Land & building	10 - 30 years
Infrastructure assets	10 - 30 years
Plant and machinery	5 - 18 years
Furniture and fixtures	5 - 15 years
Motor vehicles	3 - 10 years
Office equipment	5 - 10 years
Computer hardware	3 - 7 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### **1.2 Impairment**

The carrying amounts of tangible and intangible assets are reviewed at each financial year end to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. An asset is impaired when its carrying amount exceeds its recoverable amount.

### **1.3 Disposal of property, plant & equipment**

The gain or loss on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value of the asset on the date of disposal, and is recognised in the Statement of Financial Performance

# **Maphumulo Local Municipality**

Annual Financial Statements for the year ended 30 June 2013

## **Accounting Policies**

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### **1.4 Incomplete construction work**

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is commissioned into use.

### **1.5 Intangible assets**

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Intangible assets are carried at cost less accumulated amortisation and any impairment losses. Software is amortised on a straight-line basis over its anticipated useful life generally, cost associated with developing computer software programs are recognised as an expense as incurred. However costs that are clearly associated with and identifiable unique product which will be controlled by the Municipality and have a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset.

Expenditure which enhances and extends the benefits of computer software programs beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred. Intangible assets with infinite useful lives are not amortised and are recorded at cost.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Computer software, other	3 - 7 years
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# **Maphumulo Local Municipality**

Annual Financial Statements for the year ended 30 June 2013

## **Accounting Policies**

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### **1.6 Reserves**

The municipality maintains no Reserves with exception of the Accumulated Surplus.

### **1.7 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### **Municipality as Lessor**

When assets are leased out under an operating lease, the asset is included in the Statement of Financial Position based on the nature of the asset.

#### **Municipality as Lessee**

Finance lease assets and liabilities are recognised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the future minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic rate of interest on the remaining balances of the liability for each period. The property plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term. Operating leases are those leases which do not fall within the scope of the above definition. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

The Municipality will not incur a foreign currency lease liability other than that allowed by the Municipal Finance Management Act, 2003 (Act 56 of 2003).

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

# **Maphumulo Local Municipality**

Annual Financial Statements for the year ended 30 June 2013

## **Accounting Policies**

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### **1.8 Financial instruments**

The Municipality classifies its financial assets in the following category:

Loans and receivables,

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. With regard to reclassifications of financial assets, the entity shall not reclassify a financial instrument into or out of the fair value through profit or loss category while it is held or issued. The Municipal Financial Management Act, 2003 (Act 56 of 2003) requires local authorities to invest funds which are not immediately required with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty interest rate to meet commitments.

#### **Initial Recognition**

Financial instruments are initially recognised at fair value.

#### **Definition of financial asset**

Any asset that is cash

-an equity instrument of another entity

-a contractual right

-to receive cash or another financial asset from another entity; or

-to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

-a contract that will or may be settled in the entity's own equity instruments and is:

-a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments

-a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

#### **Definition of financial liability**

Any liability that is:

-a contractual obligation

-to deliver cash or another financial asset to another entity; or

-to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

-a contract that will or may be settled in the entity's own equity instruments and is:

-a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments

-a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

#### **Subsequent measurement**

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Municipality's loans and receivables comprise "trade receivables and other receivables" and cash and cash equivalents.

#### **Interest bearing borrowing**

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.8 Financial instruments (continued)

Interest bearing borrowings are recognised initially at fair value, net of transaction costs incurred. It should also be added that interest bearing borrowings are classified as non-current and current liabilities. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method. Interest bearing borrowings are classified as non-current and current liabilities unless the municipality has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### Offsetting financial assets and liabilities

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when and only when:

- a) The Municipality has a legally enforceable right to set off the recognised amount; and
- b) The Municipality intends either to settle on a net basis, or realise the asset and settle the liability simultaneously.
- c) In accounting for a transfer of a financial asset that does not qualify for derecognition, the Municipality will not offset the transferred asset and the associated liability.

#### Derecognition

Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred, and the municipality has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost.

#### Impairment of financial assets

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified. Impairment losses recognised in the Statement of Financial Performance on equity instruments are not reversed through the Statement of Financial Performance.

#### Disposal

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### Counterparty exposure

The Municipality limits its counterparty exposure arising from money market by only dealing with well established financial institutions.

#### Trade and other payables

Trade creditors are paid within 30 days. The Municipality does not discount the creditors and as a result we have not factored any discounting into the value of trade creditors and the face value is taken as invoice value.

#### Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Finance charges on bank overdrafts are expensed as incurred.

### 1.9 Provisions

Provisions are disclosed when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

# **Maphumulo Local Municipality**

Annual Financial Statements for the year ended 30 June 2013

## **Accounting Policies**

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### **1.9 Provisions (continued)**

Provisions are recognised when the municipality has a present, legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and where a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at year end adjusted to reflect the best current estimate.

### **1.10 Revenue from exchange transactions**

Revenue is derived from grants from other tiers of government, trading activities and other services provided. Revenue comprises the fair value of the consideration received or receivable in the ordinary course of activities. Revenue is shown net of value-added tax, returns, rebates and discounts. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably.

#### **Recognition**

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- (a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (b) The amount of revenue can be measured reliably; and
- (c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Measurement**

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts allowed by the Municipality.

#### **Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Interest earned on investments**

Interest earned on investments is recognised on a time proportionate basis that takes into account the effective yield on the investment

### **1.11 Revenue from non-exchange transactions**

#### **Donations and contributions**

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use. Revenue from public contributions is recognised when all conditions associated with the contribution have been met. Where these conditions have not been met, a liability is recognised. Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use. The fair value of the assets contributed is determined and recorded when the risks and rewards of ownership have been transferred.

#### **Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act, 2003 (Act 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

#### **Measurement**



# **Maphumulo Local Municipality**

Annual Financial Statements for the year ended 30 June 2013

## **Accounting Policies**

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### **1.11 Revenue from non-exchange transactions (continued)**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

# **Maphumulo Local Municipality**

Annual Financial Statements for the year ended 30 June 2013

## **Accounting Policies**

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### **1.11 Revenue from non-exchange transactions (continued)**

#### **Rates, including collection charges and penalties interest**

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### **Fines**

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

#### **Levies**

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

#### **Government grants**

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

# **Maphumulo Local Municipality**

Annual Financial Statements for the year ended 30 June 2013

## **Accounting Policies**

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### **1.11 Revenue from non-exchange transactions (continued)**

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### **Other grants and donations**

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### **1.12 Conditional Grants & Receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised when the criteria, conditions or obligations have not been met.

### **1.13 Borrowing costs**

Borrowing costs resulting from financing of capital projects during the period of construction are capitalised into the asset developed. Any other borrowing costs are recognised as an expense in the Statement of Financial Performance.

### **1.14 Value Added Tax**

The Municipality accounts for Value Added Tax on the cash basis.

### **1.15 Unauthorised expenditure**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act, 2003(Act 56 of 2003).

Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.16 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.17 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.18 Taxation**

Municipality is exempt from tax in terms of section 10(1)(a) of the Income Tax Act.

# **Maphumulo Local Municipality**

Annual Financial Statements for the year ended 30 June 2013

## **Accounting Policies**

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### **1.19 Investment property**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Investment property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

Investment property consists of a building developed to generate rental revenue and boost economic development within the Municipality. The property is carried at cost less accumulated depreciation or impairment over its useful life. Rental revenue is recognised in the statement of performance when it is due or received.

### **Cost model**

### **1.20 Employee benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### **Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### **Pension, Provident, Retirement Benefits and Group Life Scheme**

The municipality provides retirement benefits for its employees in the form of both defined benefit and defined contribution plans. The municipality is no longer providing retirement benefits for the Councillors as they are now getting a total cost to company package.

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement. A defined contribution plan is a plan under which the municipality pays a fixed contribution into a separate entity. The municipality has no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior period.

The contributions to fund obligations for the payment of retirement benefits are charged against the revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognized as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

### **1.21 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

# **Maphumulo Local Municipality**

Annual Financial Statements for the year ended 30 June 2013

## **Accounting Policies**

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### **1.21 Related parties (continued)**

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>2. Trade and other receivables from exchange transactions</b>		
Employee costs in advance	32 438	23 311
SARS - PAYE	884 104	884 104
Investment Interest Accrued	48 030	-
Sundry debtor	109 067	63 067
Provision for doubtful debts	(365 135)	(317 509)
Rental	836 466	680 952
Department of Human Settlement	55 935	55 935
Game Stores	13 124	13 124
	<b>1 614 029</b>	<b>1 402 984</b>
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
Opening balance	317 509	107 427
Provision for impairment	365 135	210 082
	<b>682 644</b>	<b>317 509</b>
<b>3. VAT receivable</b>		
VAT	40 342	2 335 899
VAT is paid over to SARS only once payment is received from debtors.		
<b>4. Receivables from non-exchange transactions</b>		
<b>Gross balances</b>		
Rates	4 843 673	2 988 842
<b>Less: Allowance for impairment</b>		
Rates	(2 660 342)	(1 767 256)
<b>Net balance</b>		
Rates	2 183 331	1 221 586
<b>Rates</b>		
Current (0 -30 days)	209 187	109 266
31 - 60 days	196 202	178 399
61 - 90 days	194 709	94 399
91 - 120 days	193 313	93 074
121 - 365 days	1 389 920	746 448
	<b>2 183 331</b>	<b>1 221 586</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(1 767 256)	(1 918 779)
Contributions to provision	(3 671 864)	(2 915 046)
Debt impairment written off against provision	2 778 778	3 066 569
	<b>(4 843 673)</b>	<b>(1 767 256)</b>

## 5. Cash and cash equivalents

Cash and cash equivalents consist of:

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>5. Cash and cash equivalents (continued)</b>		
Cash on hand	134	629
Bank balances	48 480 285	39 779 941
	<b>48 480 419</b>	<b>39 780 570</b>

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 5. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
FNB BANK - Investment Account - 710044342667	324 703	308 640	324 703	308 640
ABSA - Call Account - 9159847532	-	3 199 269	-	3 199 269
FNB BANK - Investment Account - 74105603986	1 749 227	1 666 748	1 749 227	1 666 748
FNB BANK - Investment Account - 62207539795	3 417	2 132 626	3 417	2 132 626
FNB BANK - Investment Account - 62346755301	-	13 220 038	-	13 220 038
NEDBANK - Investment Account - 30955491	-	51 929	-	51 929
ABSA BANK - Call Account - 2071802556	-	3 113 348	-	3 113 348
NEDBANK - Investment Account - 1323991107	-	4 181 590	-	4 181 590
FNB BANK - Investment Account - 62346755301	13 833 780	-	13 833 780	-
ABSA BANK - Call Account - 2072689135	3 246 534	-	3 246 534	-
ABSA BANK - Call Account - 2071802556	65 196	-	65 196	-
NEDBANK - Investment Account - 4053523279	11 957 371	-	11 957 371	-
NEDBANK - Investment Account - 30955491	4 392 862	-	4 392 862	-
NEDBANK - Investment Account - 39801217	53 936	-	53 936	-
NEDBANK - Investment Account - 39801217	9 326 419	-	9 326 419	-
FNB BANK - Current Account - 62023868998	2 539 100	5 426 192	2 539 100	5 426 192
ABSA BANK - Current Account - 4056102866	987 738	6 479 561	987 738	6 479 561
<b>Total</b>	<b>48 480 283</b>	<b>39 779 941</b>	<b>48 480 283</b>	<b>39 779 941</b>

### 6. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	16 114 609	-	16 114 609	16 114 609	-	16 114 609

#### Reconciliation of investment property - 2013

	Opening balance	Total
Investment property	16 114 609	16 114 609

#### Reconciliation of investment property - 2012

	Opening balance	Transfers	Restatement	Correction of prior period error	Depreciation	Total
Investment property	12 481 572	1 902 547	1 730 550	498 223	(498 223)	16 114 609

#### Pledged as security

Office buildings MR711, Lot 152, Maphumulo are secured over mortgage bond referred to in note 11.



# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	23 983 807	(12 771 874)	11 211 933	25 018 029	(3 079 094)	21 938 935
Plant and machinery	7 028 385	(2 195 001)	4 833 384	3 856 479	(1 906 969)	1 949 510
Furniture and fixtures	3 415 011	(1 559 265)	1 855 746	3 513 077	(839 972)	2 673 105
Motor vehicles	2 075 813	(854 693)	1 221 120	2 932 792	(952 585)	1 980 207
Office equipment	1 243 646	(50 654)	1 192 992	1 226 572	(288 729)	937 843
IT equipment	684 943	(316 024)	368 919	642 654	(282 183)	360 471
Infrastructure	47 650 671	(3 093 366)	44 557 305	44 242 051	(8 159 929)	36 082 122
Capital work in progress	40 350 256	-	40 350 256	24 424 781	-	24 424 781
<b>Total</b>	<b>126 432 532</b>	<b>(20 840 877)</b>	<b>105 591 655</b>	<b>105 856 435</b>	<b>(15 509 461)</b>	<b>90 346 974</b>

### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Buildings	21 938 935	-	20 706 305	(1 791 804)	(1 342 964)	39 510 472
Plant and machinery	1 949 510	-	-	(367 896)	-	1 581 614
Furniture and fixtures	2 673 105	-	-	(362 493)	-	2 310 612
Motor vehicles	1 980 207	-	-	(311 081)	(416 293)	1 252 833
Office equipment	937 843	-	-	(129 237)	-	808 606
IT equipment	360 471	-	-	(119 209)	-	241 262
Infrastructure	36 082 122	-	11 103 652	(3 093 366)	-	44 092 408
Capital work in progress	24 424 781	34 081 056	(31 809 957)	-	-	26 695 880
<b>Total</b>	<b>90 346 974</b>	<b>34 081 056</b>	<b>-</b>	<b>(6 175 086)</b>	<b>(1 759 257)</b>	<b>116 493 687</b>

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Buildings	24 660 634	-	(1 902 517)	(819 183)	-	21 938 934
Plant and machinery	1 942 665	248 858	-	(192 986)	(49 027)	1 949 510
Furniture and fixtures	3 073 371	49 597	-	(322 507)	(127 357)	2 673 104
Motor vehicles	2 378 330	-	-	(398 123)	-	1 980 207
Office equipment	847 578	184 459	-	(88 314)	(5 876)	937 847
IT equipment	410 865	88 441	-	(107 436)	(31 400)	360 470
Infrastructure	25 473 227	-	13 762 511	(3 153 618)	-	36 082 120
Capital Work In Progress	18 432 219	19 755 073	(13 762 511)	-	-	24 424 781
	<b>77 218 889</b>	<b>20 326 428</b>	<b>(1 902 517)</b>	<b>(5 082 167)</b>	<b>(213 660)</b>	<b>90 346 973</b>

#### Pledged as security

Carrying value of assets pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 8. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	961 151	(326 124)	635 027	841 726	(326 124)	515 602

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012		
<b>8. Intangible assets (continued)</b>				
<b>Reconciliation of intangible assets - 2013</b>				
	Opening balance	Other changes, movements	Total	
Computer software	515 602	119 425	635 027	
<b>Reconciliation of intangible assets - 2012</b>				
	Opening balance	Other changes, movements	Amortisation	Total
Computer software, other	613 079	20 406	(117 883)	515 602
<b>9. Long term receivables</b>				
Long term receivables - Non-current portion		60 862		60 862
Long term receivables - Current portion		-		-
Other asset 1 - Current portion (Incl in working capital)		-		-
		<b>60 862</b>		<b>60 862</b>
<b>10. Other financial liabilities</b>				
<b>Designated at fair value</b>				
Bank loan		7 388 395		7 814 369
<b>Non-current liabilities</b>				
Designated at fair value		5 989 905		6 982 672
<b>Current liabilities</b>				
Designated at fair value		1 398 490		831 697
<b>11. Lease obligation</b>				
<b>Minimum lease payments due</b>				
- within one year		714 937		720 522
- in second to fifth year inclusive		864 043		1 704 965
		1 578 980		2 425 487
less: future finance charges		(195 419)		(397 131)
<b>Present value of minimum lease payments</b>		<b>1 383 561</b>		<b>2 028 356</b>
<b>Present value of minimum lease payments due</b>				
- within one year		589 721		528 839
- in second to fifth year inclusive		1 066 532		1 896 647
		<b>1 656 253</b>		<b>2 425 486</b>
Non-current liabilities		877 632		1 704 964
Current liabilities		589 722		720 522
		<b>1 467 354</b>		<b>2 425 486</b>

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>12. Operating lease accrual</b>		
Within one year	144 734	155 623
2 to 5 years	-	129 686
Operating lease accrued	(50 652)	(39 484)
	<b>94 082</b>	<b>245 825</b>

The operating lease payments are for a 36month lease entered into by the Municipality and Nashua for multipurpose copiers.

### 13. Trade and other payables

Trade payables	2 930 315	4 082 821
Payments received in advanced - contract in process	6 478	818
Other payables	1 157 071	368 550
Accrued leave pay	1 308 270	2 730 677
Accrued Payroll Costs	30 199	33 793
Deposits received	14 809	14 809
Rental Deposits	20 951	20 951
VW Mhlongo - NonExchange	1 596 524	272 625
Retention	6 539 792	4 417 876
Indemnity	700	700
	<b>13 605 109</b>	<b>11 943 620</b>

A calculation of long term employee benefits on bonuses was made and the provision amount is immaterial (R53 401.08), therefore the annual financial statements were not adjusted with this amount.

### 14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

CCJC Women	4 050	4 050
Feasibility Study	39 261	39 261
Corridor Development	9 000 000	9 000 000
GIS Fund	-	246 468
Municipal System Improvement Grant	(1)	102 167
Housing Sector Plan	2 543	2 543
Financial Management Grant	-	146 456
Infrastructure Investment Plan	14 622	14 622
Tunnel farming	-	25 292
Kwashushu Hotsprings	190 476	190 476
Anti - Corruption	-	134 500
MAP Project Consolidated	46 551	331 387
Project Consolidated	-	73 181
MPRA - Ilembe	28 869	28 869
INEP	4 666 180	7 368 421
Small Town Rehabilitation Grant	4 112 984	4 131 684
Project Rates Implementation	1 409	1 409
Sport grant	963 986	295 236
Titanium Mining	100 000	100 000
Urban Design Framework	17 193	17 193
Valuation Roll	370 000	370 000
MIG	640 346	-
Unspent public contributions and donations	1	1
	<b>20 198 470</b>	<b>22 623 216</b>

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 15. Property rates

#### Rates received

State	18 436 275	18 359 925
Less: Income forgone	(6 177 806)	(9 187 664)
	<b>12 258 469</b>	<b>9 172 261</b>

Property rates levied in terms of the Local Governments: Municipal Property Rates Act No. 6 of 2004 with effect from 1 July 2009. Randage applicable to all properties equal to 0.05. Rebates amount to 30% for all categories except for Ingonyama Trust Board which receives a 50% rebate.

### 16. Other income

Tender document sales	58 886	74 093
Other income	138 453	173 949
Administration fees and commission	2 502	1 641
	<b>199 841</b>	<b>249 683</b>

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>17. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	48 562 000	42 261 000
GIS fund	246 468	-
IDP Grant	200 000	321
MFMA grant	-	(859)
Anti - Corruption	134 500	-
Project consolidate grant	73 181	-
Municipal System Improvement Grant	902 168	703 900
MSIG PMS	-	5 254
Financial Management Grant	1 646 456	1 570 319
Sports grant	6 250	-
Small Town Rehabilitation	18 700	1 159 805
MDP Capacity building grant	-	32 715
MAP Project Consolidated	284 836	175 000
Inter - Departmental Monitoring	-	169
	<b>52 074 559</b>	<b>45 907 624</b>
<b>Capital grants</b>		
INEP	8 702 241	2 943 047
Municipal Infrastructure Grant	19 836 654	17 149 611
Operational Support MPCC	-	22 694
	<b>28 538 895</b>	<b>20 115 352</b>
	<b>80 613 454</b>	<b>66 022 976</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy of R - (2012: R -), which is funded from the grant.		
<b>CCJC Women</b>		
Balance unspent at beginning of year	4 050	4 050
<b>Feasibility Study</b>		
Balance unspent at beginning of year	39 261	39 261
<b>Corridor development</b>		
Balance unspent at beginning of year	9 000 000	9 000 000
<b>GIS Fund</b>		
Balance unspent at beginning of year	246 468	246 468
Conditions met - transferred to revenue	(246 468)	-
	<b>-</b>	<b>246 468</b>
<b>Municipal System Improvement Grant</b>		
Balance unspent at beginning of year	102 167	16 067
Current-year receipts	800 000	790 000
Conditions met - transferred to revenue	(902 167)	(703 900)
	<b>-</b>	<b>102 167</b>

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>17. Government grants and subsidies (continued)</b>		
<b>Housing sector plan</b>		
Balance unspent at beginning of year	2 543	2 543
<b>Financial Management Grant</b>		
Balance unspent at beginning of year	146 456	266 776
Current-year receipts	1 500 000	1 450 000
Conditions met - transferred to revenue	(1 646 456)	(1 570 320)
	<b>-</b>	<b>146 456</b>
This grant is funded by National Treasury to assist Local Government Pilot Municipality with Financial Management and Budget Reforms as part of the National Reform program. No funds have been withheld.		
<b>Infrastructure investment plan</b>		
Balance unspent at beginning of year	14 622	14 622
<b>Kwashushu Hotsprings</b>		
Balance unspent at beginning of year	190 476	190 476
<b>Anti corruption</b>		
Balance unspent at beginning of year	134 500	134 500
Conditions met - transferred to revenue	(134 500)	-
	<b>-</b>	<b>134 500</b>
<b>MAP project consolidated</b>		
Balance unspent at beginning of year	331 387	331 387
Conditions met - transferred to revenue	(284 836)	-
	<b>46 551</b>	<b>331 387</b>
<b>Project consolidate</b>		
Balance unspent at beginning of year	73 181	73 181
Conditions met - transferred to revenue	(73 181)	-
	<b>-</b>	<b>73 181</b>
<b>MPRA Ilembe</b>		
Balance unspent at beginning of year	28 869	28 869
<b>INEP</b>		
Balance unspent at beginning of year	7 368 421	7 368 421
Current-year receipts	6 000 000	-
Conditions met - transferred to revenue	(8 702 241)	-
	<b>4 666 180</b>	<b>7 368 421</b>
<b>Small town rehabilitation</b>		

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>17. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	4 131 684	4 131 684
Conditions met - transferred to revenue	(18 700)	-
	<b>4 112 984</b>	<b>4 131 684</b>
Conditions still to be met - remain liabilities (see note 14).		
<b>Project rates implementation</b>		
Balance unspent at beginning of year	1 409	1 409
<b>Sports grant</b>		
Balance unspent at beginning of year	295 236	295 236
Current-year receipts	675 000	-
Conditions met - transferred to revenue	(6 250)	-
	<b>963 986</b>	<b>295 236</b>
<b>Titanium mining</b>		
Balance unspent at beginning of year	100 000	100 000
<b>Urban design framework</b>		
Balance unspent at beginning of year	17 193	17 193
<b>Valuation roll</b>		
Balance unspent at beginning of year	370 000	370 000
<b>MIG</b>		
Current-year receipts	20 477 000	-
Conditions met - transferred to revenue	(19 836 654)	-
	<b>640 346</b>	-
<b>IDP Grant</b>		
Balance unspent at beginning of year	-	321
Current-year receipts	200 000	(321)
Conditions met - transferred to revenue	(200 000)	-
	-	-



# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>18. Employee related costs</b>		
Basic Salary	9 803 237	9 312 846
Medical aid - company contributions	543 452	470 915
UIF	73 274	82 649
SDL	116 494	129 237
Post-employment benefits - Pension - Defined contribution plan	1 171 368	937 293
Car allowance	359 815	545 861
Housing benefits and allowances	60 753	74 936
Cellphone Allowance	39 985	46 000
Group Life	10 471	14 354
	<b>12 178 849</b>	<b>11 614 091</b>
<b>Remuneration of municipal manager: VW Mhlongo</b>		
Annual Remuneration	637 403	439 119
Travel Allowance	221 219	208 540
Other	372 152	192 073
	<b>1 230 774</b>	<b>839 732</b>
<b>Remuneration of chief finance officer: B Ngubane</b>		
Annual Remuneration	658 847	618 633
Travel Allowance	229 792	215 767
Other Allowances	11 706	-
	<b>900 345</b>	<b>834 400</b>
<b>Remuneration of the Director: Corporate and Support Services: J I Mhlongo</b>		
Annual Remuneration	529 741	529 858
Travel Allowance	173 110	162 544
Contributions to UIF, Medical and Pension Funds	88 634	76 383
	<b>791 485</b>	<b>768 785</b>
<b>19. Remuneration of Councillors</b>		
Executive Mayor	599 772	536 334
Deputy Executive Mayor	267 602	239 283
Mayoral Committee Members	503 031	544 290
Speaker	267 464	259 586
Councillors' Allowances	2 169 612	2 278 846
Councillors' pension contribution	-	20 316
Skills Development	29 367	41 512
Cellphone Allowance	208 157	194 492
Travel Allowance	723 211	694 221
	<b>4 768 216</b>	<b>4 808 880</b>
<b>20. Depreciation and amortisation</b>		
Property, plant and equipment	6 256 886	5 082 167
Investment property	-	498 223
Intangible assets	-	117 883
	<b>6 256 886</b>	<b>5 698 273</b>

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>21. Finance costs</b>		
Finance costs	1 160 823	1 327 142
<b>22. Auditor's remuneration</b>		
Auditor's remuneration	1 266 970	1 009 576
<b>23. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Anti Corruption Grant	134 500	-
IDP Grant	200 000	322
Grant Exp: Capacity Support Grant	-	294
Grant Exp: Financial Management Grant	1 527 180	1 489 706
GIS Fund	246 468	-
Project consolidate	73 181	-
Grant Exp: Inter Dep Monitoring	-	851
Grant Exp: Internal Control	-	310
Sports grant	6 250	-
Grant Income: MDP Capacity Building	-	32 715
Grant Income: MSIG	769 848	717 864
Other subsidies	287 207	2 603 722
	<b>3 244 634</b>	<b>4 845 784</b>

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>24. General expenses</b>		
Advertising	310 451	379 143
Audit Committee	285 582	37 208
Bad Debts	2 778 778	3 066 569
Bank charges	25 671	24 812
Billing charges	12 886	13 545
Cleaning	1 374 456	1 254 826
Community Awareness	3 005 618	543 008
Consulting and professional fees	2 005 131	1 366 506
Development of services	702 923	675 838
Electricity	752 567	597 984
Emergency relief & disaster	146 842	68
Entertainment	280 994	127 410
Flowers	-	58 559
Free Basic Services	212 360	378 292
Fuel and oil	590 864	494 821
IDP Review	156 035	61 060
Insurance	234 294	201 030
Internal Audit	1 209 611	470 589
LED Projects	30 085	9 715
Land use Management	28 591	200 266
Leave encashment	783 055	974 971
Licences	70 859	28 120
Magazines, books and periodicals	4 168	594
Mayoral office	-	2 202
Medical exams	77	2 706
Membership fees	14 952	499 480
Other expenses	10 985 621	2 069 922
Postage and courier	661	924
Printing and stationery	266 450	168 203
Purchase of refuse bags	-	28 900
Rent, Plant, Vehicles and Other	499 295	543 298
Security	2 560 136	2 110 763
Sports	541 459	680 154
Subsistence and travel conferences	526 506	161 546
Telephone and fax	566 330	678 898
Tourism strategy	187 430	203 060
Training	743 733	270 181
Uniforms	37 738	22 960
Workshops/Conferences/Meeting	364 760	274 149
	<b>32 296 969</b>	<b>18 682 280</b>

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>25. Cash generated from operations</b>		
Surplus	25 077 387	28 032 151
<b>Adjustments for:</b>		
Depreciation and amortisation	6 256 886	3 469 528
Finance costs	1 160 823	1 327 008
Impairment deficit	1 606 679	213 662
Debt impairment	1 266 970	-
Movements in operating lease assets and accruals	11 168	-
Movements in retirement benefit assets and liabilities	-	210 082
Bad debt recovered	-	(3 836)
Other non-cash items	9 692 564	119 951
Other non-cash items	-	601 061
<b>Changes in working capital:</b>		
Trade and other receivables from exchange transactions	(211 045)	261 587
Receivables from non-exchange transactions	(2 228 715)	1 061 455
Interest income	-	(1 580 891)
Trade and other payables	1 661 483	2 593 122
VAT	2 295 557	(1 815 297)
Unspent conditional grants and receipts	(2 424 746)	18 697 157
	<b>44 165 011</b>	<b>53 186 740</b>
<b>26. Revenue</b>		
Rental of facilities and equipment	842 054	768 603
Recoveries	2 170	3 836
Other income - (rollup)	199 841	249 683
Interest received - investment	2 881 986	1 580 891
Property rates	12 258 469	9 172 261
Government grants & subsidies	80 613 454	66 022 976
	<b>96 797 974</b>	<b>77 798 250</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Rental of facilities and equipment	842 054	768 603
Recoveries	2 170	3 836
Other income - (rollup)	199 841	249 683
Interest received - investment	2 881 986	1 580 891
	<b>3 926 051</b>	<b>2 603 013</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	12 258 469	9 172 261
<b>Transfer revenue</b>		
Government grants & subsidies	80 613 454	66 022 976
	<b>92 871 923</b>	<b>75 195 237</b>
<b>27. Investment revenue</b>		
<b>Interest revenue</b>		
Investments	2 350 392	1 244 695
Interest charged on trade and other receivables	531 594	336 196
	<b>2 881 986</b>	<b>1 580 891</b>

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>28. Auditors' remuneration</b>		
Fees	3 719 489	3 066 569
<b>29. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Infrastructure	62 519 376	23 187 997
• Land & Buildings	6 045 921	1 708 098
• Community Assets	16 665 172	852 074
	<b>85 230 469</b>	<b>25 748 169</b>
<b>Not yet contracted for and authorised by accounting officer</b>		
• Infrastructure	37 195 996	66 327 178
• Land & Buildings	454 079	7 123 647
• Community Assets	17 504 930	17 216 123
	<b>55 155 005</b>	<b>90 666 948</b>
<p>This committed expenditure relates to property and payment made subject to approval of the project. All commitments listed above were financed by government grants except for the following which are financed from Municipal funds: Land and buildings, Electrification of Ocheni (Infrastructure project with a total approved commitment of R1 787 520.00) Completion of Maqumbi sports ground (Community Asset with total approved commitment of R1 500 000.00)</p>		
<b>30. Fruitless and wasteful expenditure</b>		
Fruitless and wasteful expenditure	5 575	13 000
<b>31. Irregular expenditure</b>		
Opening balance	14 936 021	-
Add: Irregular Expenditure - current year	2 178 153	14 936 021
	<b>17 114 174</b>	<b>14 936 021</b>
<b>32. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Current year subscription / fee	1 268 141	1 113 672
Amount paid - current year	-	(1 113 672)
	<b>1 268 141</b>	<b>-</b>
<b>PAYE and UIF</b>		
Current year payroll deductions	-	3 394 904
Amount paid - current year	-	(3 394 904)
	<b>-</b>	<b>-</b>

# Maphumulo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 32. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Pension and Medical Aid Deductions

Current year payroll deductions and Councillors'	-	1 422 562
Amount paid - current year	-	(1 422 562)
	-	-

#### VAT receivable

VAT receivable	40 342	2 335 899
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

### 33. Related parties

#### Related party transactions

The transactions entered into during the year by the Municipality and the IEC are as follows:

Rental income received from the IEC	11 210	25 794
Accounts receivable from the IEC	-	11 695

There were no related party transactions in current year.

### 34. Prior period errors

During the year we picked up an error on our investment property where depreciation was calculated on these assets and their cost was reduced by accumulated depreciation. The effect on both the investment property and accumulated surplus for previous financial periods is an increase of R2 228 743.00 and there is no effect on the current financial year.

The correction of the error results in adjustments as follows for previous financial periods:

#### Statement of financial position

Investment property	-	2 228 743
Accumulated surplus	-	(1 730 550)

#### Statement of Financial Performance

Depreciation expense	-	(498 193)
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